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RUEHFL/AMCONSUL FLORENCE PRIORITY 2447
RUEHMIL/AMCONSUL MILAN PRIORITY 8724
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STATE FOR EB/ESC/TFS, DAVID NELSON; EUR/WE, KATHLEEN
ALLEGRONE, ANDREW YOUNG; NEA/IR
TREASURY FOR U/S LEVEY

E.O. 12958: DECL: 06/11/2017

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SUBJECT: BANK OF ITALY PUTS BANK SEPAH ROME UNDER "SPECIAL
ADMINISTRATION" STATUS

REF: A. ROME 628

[1](#)B. ROME 600

Classified By: Economic Minister Counselor Tom Delare
for reasons 1.4 (b) and (d).

[1](#)1. (S/NF) The Bank of Italy (BOI) regulator overseeing BOI
administration of Bank Sepah Rome since passage of UNSCR 1747
informed Econoff June 8 that BOI "special administration" of
the branch is now in place. The Ministry of Finance approved
BOI's request to move to a special administration of Bank
Sepah Rome after BOI's 60-day "provisional administration"
expired (ref A). The special administration period will last
60 days and can be renewed indefinitely. In practical terms,
there is no real difference between provisional and special
administration, as two BOI administrators will continue to
monitor Bank Sepah Rome's day-to-day activities.

[1](#)2. (S/NF) Special administration does not require BOI to
shut down Bank Sepah Rome. However, BOI can liquidate Bank
Sepah Rome's assets at any time, as BOI has final authority
to carry out Italian banking law when a bank is in special
administration status. To do so, BOI must show
"extraordinary irregularities and losses" (ref B). BOI
officials have hinted to us that UNSCR 1747 could be
characterized as an "extraordinary irregularity."

[1](#)3. (S/NF) COMMENT: Historically, BOI has used special
administration only in extreme cases -- e.g., when a bank has
come under mafia control or, in Bank Sepah's case, is in
defiance of international law. BOI officials have previously
confided to us their desire to see Bank Sepah Rome closed --
but in accordance with Italian banking law. While BOI has a
long record of independence and BOI Governor Draghi -- a
consummate professional -- has said the branch should close,
the GOI could pressure BOI to continue its special
administration indefinitely to protect Italy's trade and
investment ties with Iran. End comment.
Spogli